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FISCAL IMPACT STATEMENT

LS 7010

BILL NUMBER: HB 1123

NOTE PREPARED: Jan 1, 2004

BILL AMENDED:

SUBJECT: Sales Tax on Water.

FIRST AUTHOR: Rep. Friend

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the sale of water is subject to the Sales Tax. The bill deposits the revenue from Sales Tax collected on water in the Clean Water Indiana Fund. The bill also makes an appropriation.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses related to the revision of tax forms, instructions, and computer programs necessary to identify Sales Tax collections remitted from the sales of bottled water and ice. The additional cost could presumably be absorbed within the DOR's current budget.

Explanation of State Revenues: This bill extends the state's 6% Sales Tax to sales of bottled water and ice. (Water sales by public utilities are currently subject to the Sales Tax.) The bill also directs Sales Tax revenue collected from bottled water and ice sales to the Clean Water Indiana Fund. Revenue from the tax is expected to generate approximately \$14.5 M in FY 2005 and \$17.4 M in FY 2006. Due to the timing of the remittance of Sales Tax collections, the FY 2005 estimate includes 11 months of Sales Tax collections.

Under the proposal, the DOR would transfer revenue received from the Sales Tax on bottled water and ice to the State Auditor for distribution to the Clean Water Indiana Fund by December 31 of each year. The estimated revenue that would be annually appropriated to the Clean Water Indiana Fund is as follows:

CY 2004	\$ 5.7 M
CY 2005	\$ 15.1 M
CY 2006	\$ 16.6 M

The estimates above are based on per capita bottled water consumption data obtained from the United States Department of Agriculture and the Beverage Marketing Corporation, adjusted for historical increases in price and consumption. Indiana ice sales are based on national sales estimates, adjusted for Indiana's population.

All other Sales Tax collections would continue to be deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Background Information: It should be noted that this provision could have an impact on the state's ability to participate in the Streamlined Sales and Use Tax Agreement insofar as the state's Sales Tax statute would no longer conform to the Agreement's criteria. The impact of any changes in Indiana's standing within the Agreement is currently unquantifiable.

Explanation of Local Expenditures:

Explanation of Local Revenues: Soil and water conservation districts could receive grants from the Clean Water Indiana Fund to implement projects that would improve the quality of water in local watersheds.

State Agencies Affected: Department of State Revenue; Department of Natural Resources, Division of Soil Conservation.

Local Agencies Affected:

Information Sources: Economic Research Service, United States Department of Agriculture; Beverage Marketing Corporation; Convenience Store News.

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